

Roularta Media Group

BELGIUM

Bloomberg: ROU:BB

Reuters: RLRT.BR



2H17 results: key highlights

Roularta reported weak 2H17 results, which reflected mainly the impact on sales of weak ad sales in Print but also some one-off costs (higher Storesquare start-up losses, title impairments and a non-cash tax charge). Sales trends in 2H17 are favourable in magazine advertising, albeit still negative, while Free Newspaper ad and Printing sales remain weak. Margins are hit by the weak sales although gross margins have improved which is encouraging. Net debt is slightly higher-than-expected, but proceeds from the disposal of the Medialaan stake, estimated at €263m, are not yet included. A big surprise came with the announcement of an exceptional dividend of €5/share (€66m) to remunerate investors following the Medialaan disposal. Guidance is prudent given the low level of visibility in ad spend, with 1Q17 ad spend trends reported to be very volatile from month-to-month. An analyst meeting is scheduled today at 1PM CET.

€m	2013	2014	2015	2016	2017e	2018e	2019e
Sales	677.1	300.1	291.9	278.6	259.9	248.1	237.3
EBIT	-49.2	3.9	12.3	6.7	-8.4	137.4	-7.1
Net profit	-57.9	-142.5	64.4	21.5	3.0	138.9	0.1
EPS (€)	-4.44	-10.98	4.92	1.65	0.23	10.66	0.01
DPS (€)	0.00	0.00	0.50	0.50	0.00	0.00	0.00
P/E (x)	na	na	3.2	14.7	102.0	2.3	4617.5
Yield (%)	0.0	0.0	3.2	2.1	0.0	0.0	0.0
Adj. EV/EBIT (x)	na	36.0	9.6	32.7	na	na	3.7

Source: Merodis Equity Research, Factset
Pricing date: 28/02/2018

Quick ReAction – 2H17 results review

2 March 2018

	2H17 results				FY 2017 results				Merodis Equity Research comments
	Actuals	MER est.	Consensus	% A vs MER	Actuals	MER est.	Consensus	% A vs MER	
Consolidated sales	125.8	127.4	126.7	-1.3	258.3	259.9	259.3	-0.6	Consolidated sales in 2H17 were broadly in line with our forecast, showing an improving trends in magazine advertising (FY17 -4.7% vs -7.5% in 1H17). Free Newspapers advertising remains weak (-9.3%) and so was the Readers Market (FY17 -3.6%), while Printing (-13.8%) was heavily impacted by the loss of volumes from the end of a large French contract linked to the company's past activities. Online advertising continues to show double digit growth (FY17 +11.8%). Consolidated sales do not include the discontinued contribution from equity-accounted Medialaan.
% growth	-7.2	-6.0	-6.5		-7.3	-6.7	-6.9		
Adj. EBITDA	0.1	2.6	10.0	-94.5	1.0	3.5	10.9	-70.9	Gross margins improved in FY17 by 60bps, which is an encouraging as we expected a flat margin y-o-y. Consolidated EBITDA was negatively impacted by weak advertising revenues in Print Media as well as start-up losses at Storesquare, which increased from €4m in 2016 to €5.7m (vs. MERe €4m).
% growth	-98.1	-66.0	32.6		-93.8	-78.6	-33.0		
% sales	0.1	2.0	7.9		0.4	1.3	4.2		
Adj. REBIT*	-8.4	-3.8	0.3	117.7	-13.0	-8.4	-4.3	54.3	There were significant one-off costs in 2H17, with some inventory/receivable write-downs (€0.5m) and impairments losses on intangibles (magazine titles) amounting to €3m.
% growth	na	na	-84.3		na	na	na		
% sales	-6.7	-3.0	0.2		-5.0	-3.2	-1.7		
EPS	-0.93	0.13	0.56	-838.9	-0.83	0.23	0.66	na	EPS was negatively impacted by the above-mentioned items in addition to a non-cash tax charge of €14.6m linked to a tax-asset write-off following changes in Belgium's corporate tax laws (tax asset of €20m in FY16). Financing costs were unchanged.
% growth	na	-75.5	9.6		na	-86.2	-59.6		
Net debt	62.6	57.4	-64.4		62.6	57.4	-64.4	8.9	Net debt is slightly higher than expected due to the EBITDA shortfall. No (regular) dividend will be paid, by the Board will propose an exceptional €5/share (€66m cash outlay) to remunerate shareholders following the disposal of the Medialaan stake with estimated proceeds of €263m.
ND/EBITDA (annualised)	223.4	11.2			62.2	16.6	-5.9		

Source: Company data, Merodis Equity Research, Factset consensus (* Reported EBIT includes equity accounted results)

This Report is solely for the information of the recipients. All information contained in this research report has been compiled from sources believed to be reliable. However, no representation or warranty, express or implied, is made with respect to the completeness or accuracy of its contents, and it is not to be relied upon as such. Opinions contained in this research report represent the authors' current opinions on the date of the report only. Merodis is not soliciting an action based upon it, and under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy.

This report is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on this report and Merodis accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

ANALYST CERTIFICATION:

Merodis has been mandated by the subject company to produce a neutral, fair, and elaborate equity research report about the subject company with the aim to increase investors' awareness about the stock. The authors hereby declare that this report represents their personal opinion and that the company has neither limited nor in any other way influenced the content of this report. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific opinions or views expressed by the research analyst in this research report.

The authors also declare that they are not shareholders of the subject company and that they have no other economic interest in the subject company than through their current mandate.

This Report is and at all times shall remain the exclusive property of Merodis.

This Report contains statements, estimates and projections provided by the Client concerning anticipated future performance. Such statements, estimates and projections reflect assumptions by our Client concerning anticipated results, which may or may not prove to be correct. No representations, expressed or implied are made as to the accuracy of such statements, estimates and projections.

All communication regarding this Report and requests for additional information should be directed to Merodis:

Arnaud W. Goossens
Partner
ago@merodis.com

For more information about
Merodis
please visit:
www.merodis.com

Merodis
Equity Research